

The Great Depression

- ▶ **The Great Depression** – A worldwide economic crisis lasting from 1929 – 1941
 - ▶ 25% unemployment (12 million people)
 - ▶ Stock market value drops 90%
 - ▶ Leads to the **NEW DEAL**
 - ▶ Depression fully healed by World War II



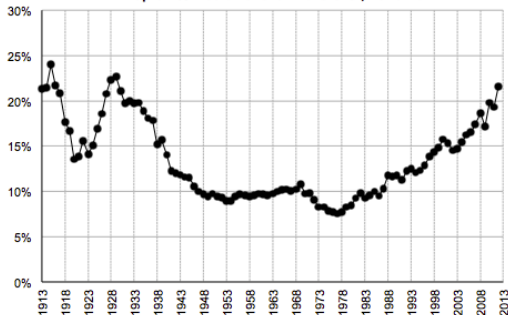
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CAUSES OF THE GREAT DEPRESSION

1. **Wealth Disparity** – A large gap between the wealth of the rich and the poor. Leads to an unstable economy b/c:
 - ▶ With so many poor workers/farmers, there is not enough purchasing power to maintain economy
 - ▶ This gap is prevalent in America and the world today, causing economic problems.



Top 0.1% wealth share in the U.S., 1913-2012



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2. **Buying on Credit**— Purchasing something now, and paying for it later
 - Happened in two ways:
 1. **Consumer goods** – 80% of all cars were bought on credit
 2. **Buying on Margin** (stock market)— Stockholders paid 10% of the value of the stock
 - Created **massive debt** (consumers) and **artificial wealth** (stock market)





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3. **Over-production**— Companies producing more than is needed
 - ▶ Must stop producing goods, which leads to massive unemployment
4. **Under-consumption** – People buying less than expected
 - ▶ Unemployment means less buying